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SIPDIS

PM/DTCC - BLUE LANTERN COORDINATOR (TIM MAZZARELLI)
STACIE ZERDECKI, EUR/WE

E.O. 12958: N/A

TAGS: ETTC KOMC SP

SUBJECT: FAVORABLE REPLY TO BLUE LANTERN 050191953

REF: A. STATE 102227

¶B. INFORMA FINANCIAL REPORT ON SUPEIM (PROVIDED
UPON REQUEST)

¶1. SUMMARY: Post has made inquiries and conducted site visit requested reftel and recommends speedy action to approve export license application number 050191953 for the export of night vision devices to Spain for the use of the Spanish Army. Long-time habitual Ministry of Defense supplier Suministros Peninsulares Importados (SPI or SUPEIM), while relatively new to importing USML items, is on track to achieve various Spanish and international certifications and appears to be a good candidate for MOD acquisitions that may otherwise be derailed due to the U.S. Policy of Denial toward Elint, S.A. Further, SUPEIM has requested Post's assistance in connecting with U.S. suppliers of specialty items such as lifejackets for helicopter pilots, and plans to work with the U.S. Commercial Service to that end. SUPEIM's involvement in subject transaction also provides an alternative avenue for distribution to Needham, Massachusetts-based N-Vision Optics LLC, recently prevented from exporting a number of night vision goggles to Spain due to malfeasance on the part of Elint. END SUMMARY.

¶2. Spanish Ministry of Defense contacts confirmed October 14 the existence of various partial orders to the company Suministros Peninsulares Importados (SPI or SUPEIM) totaling 30 image intensifier tubes (IITs) worth a combined total of US \$78,000. Captain Eladio Ferreiro, Head of the Export Control Unit within the Directorate General of Armament and Materiel (DGAM) at the Spanish Ministry of Defense, further confirmed the end use and end user as stated. The new tubes, destined for the Spanish Army, will be substituted for other identical yet damaged components installed in current AN/PVS14 monocular devices.

¶3. SUPEIM General Manager Antonio Rubio likewise confirmed during an October 20 site visit that his company had received a number of smaller orders from PCMASACOM (a GSA-type supplier internal to the Spanish defense apparatus and armed services) totaling 30 tubes, to replace damaged tubes in existing night vision devices. He combined the orders into a single purchase order dated September 2. Rubio told pol-mil officer he would retain positive control over the IITs at all times prior to their transfer to the Spanish Army. He indicated he strives for same-day turn-around on any sensitive or high-value orders, and added that the PCMASACOM delivery address was located less than 5 minutes' drive from his facility. (Note: Embassy staff can confirm his facility's proximity to PCMASACOM.) It is even possible, he suggested, that these tubes could be delivered directly to the Army, with only documentary participation by his company.

//SUMINISTROS PENINSULARES IMPORTADOS S.L.//

¶4. SUPEIM is a small, privately held defense supplier that has been doing business almost exclusively with the Spanish Ministry of Defense and law enforcement agencies since the

company's establishment in 1992. Antonio Rubio Rubio is its only director. Spanish business information service INFORMA lists Rubio along with his wife, Maria Estrella Castro Munoz as the only two shareholders. The company's financials (ref B) are generally good, although Rubio confided he hopes to get additional orders from the MOD. From an employment high of 16-17 personnel, SUPEIM "in crisis" now employs only eight or nine at its Alcorcon location in an industrial park about 20 minutes west of downtown Madrid.

¶ 15. Asked what types of items SUPEIM handles, Rubio said the company was "at the service" of its customers -- all domestic defense and law enforcement entities, including both Guardia Civil and the Spanish National Police. He also supplies Eurocopter, which manufactures the Super Puma and repairs Chinooks. To the extent SUPEIM specializes, he deals in military replacement parts and items difficult to find on the domestic market, including everything from greases and oils to antennas and electronic components. On a tour of the company warehouse, Rubio pointed out boxes of items as varied as transparent tape, reflector lights for vehicles, office telephones, Bosch power tools, and standard Spanish blue coverall uniforms imprinted with the PCMASACOM logo. This is the first time that SUPEIM has ordered night vision devices and the first time Rubio has worked with N-Vision, which had the needed tubes in stock. The only other instance in which Rubio said he had experience with the U.S. export licensing system was in ordering controlled replacement parts for combat helmets two to three years ago. (COMMENT: SUPEIM seems to be a "defense supplier" in the most literal sense of the term, a go-to source used more often so far for administrative, office, and even cleaning products used by defense headquarters. This transaction could well be a test case of an otherwise reliable and trusted supplier with more sensitive battlefield components. END COMMENT.)

¶ 16. Asked about his company's security and accounting practices, Rubio stated SUPEIM has a Security Agreement with the MOD and strictly complies with all related protocols. The company is ISO 9001 certified and seeking additional certifications. In keeping with these and other best practices, SUPEIM prepares orders quickly, verifying serial numbers as needed and getting items out to their end-users as quickly as possible. In an ideal scenario, freight forwarders or shipping agencies deliver material in the morning, when SUPEIM's cashier is on duty to pay for transport costs. Trained staff then take an hour or less to ready the product for onward "just-in-time" delivery. Rubio makes it a practice not to keep merchandise overnight unless it is delivered too late to forward within a single business day. Most orders are processed and sent out within one day, same-day or next-day delivery. At most, SUPEIM could retain products 10-15 days in its warehouse if waiting to complete a single order fulfilled by diverse suppliers. Asked if he understood the restrictions on unauthorized stockpiling of USML items, Rubio reiterated his intention to get the tubes and any other sensitive or costly equipment to their authorized end-users in the shortest term feasible.

¶ 17. Company offices are located upstairs from a medium-sized warehouse that doubles as a garage for two mid-sized delivery trucks. Technicians make some small repairs in the warehouse to generation and other heavy equipment, and the warehouse contains products in circulation, all clearly marked as to their status in the receiving and delivery cycle. Both the warehouse and office are monitored by security circuit cameras and motion detectors, linked 24 hours to police as well as private contract security in the industrial park. Rubio admitted the equipment was so sensitive that he had received 1 a.m. phone calls when sheets of paper slipped from the walls.